



Department of Energy
Washington, DC 20585

July 28, 2008

MEMORANDUM FOR DISTRIBUTION

FROM:


STEVE ISAKOWITZ
CHIEF FINANCIAL OFFICER

SUBJECT: Non-monetary Loss Contingencies

Pursuant to 31 U.S.C. 3515, KPMG, LLP (KPMG), under contract with the Office of Inspector General, is conducting the Department-wide audit of the consolidated financial statements of the Department of Energy. The audit conducted by KPMG will be as of and for fiscal year ended September 30, 2008. KPMG has inquired about non-monetary loss contingencies, defined below, that have a financial impact on the Department's financial statements. The purpose of this memorandum is to request your assistance in responding to that inquiry.

In accordance with U.S. generally accepted accounting principles, the Department is required to report loss contingencies in its financial statements. Most loss contingencies are legal matters involving the possible payout of cash to the claimant. For these types of contingencies, the Office of General Counsel will assist in responding to KPMG's inquiry. However, we need your assistance in loss contingencies that are not expected to result in cash payouts to claimants but still may result in a material impact on estimated liabilities recorded or disclosed in the consolidated financial statements.

These types of loss contingencies typically result from rulings requiring the Department to perform future actions that are intended to correct damages resulting from past practices. If successful, claimants in such matters would not receive monetary damages, but resolution of the contingency may create or increase liabilities related to the corrective actions. Such matters are referred to as "non-monetary loss contingencies" for purposes of this request.

Since the program offices are in the best position to assess the financial impact of non-monetary loss contingencies to their respective programs, we are requesting that you provide the Office of Inspector General the following information with respect to these matters:

1. The nature of the matter;
2. The progress of the case to date;
3. The government's response or planned response;



4. An evaluation of the likelihood of unfavorable outcome (categorize likelihood as probable, reasonably possible, or remote);
5. An estimate of the amount or range of potential loss, if one can be made, for losses considered to be probably or reasonably possible; and
6. The names of the program official and the Department's attorney, if applicable, handling the case and names of any outside legal counsel representing or advising the government in the matter (Department of Justice or outside law firms).

The above information is only needed where the potential loss contingency exceeds \$20 million. You should furnish your response, including negative confirmation if applicable, by September 12, 2008.

Prior to submitting any non-monetary contingent liability reports to the Department's IG/CFO or the operations/field CFO offices, the reporting office or program must contact Jane Taylor in the General Counsel's office to discuss the matters proposed to be reported. Ms. Taylor's phone number is 202-586-7530.

Please address your reply to Ricky R. Hass, Assistant Inspector General, Environment, Science, and Corporate Audits; IG-34. Also, please send a copy of your reply to Jeffrey Carr, Director, Financial Statements Division, CF-12. If you have any questions, please call Rick Loyd, Director, Office of Financial Control and Reporting, CF-12, on 301-903-4190, or have your staff call Jeffrey Carr at 301-903-2506.

cc:

Deputy General Counsel, Litigation, GC-30

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Brad Milliron, IG-346

Ricky Hass, IG-34

Rick Loyd, CF-12

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